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FOREIGN SERVICE DESPATCH

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DATE May 18, 1957

FROM : AMEMBASSY TRIPOLI

TO : THE DEPARTMENT OF STATE, WASHINGTON.

REF : CA-8508, April 15, 1957

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	U/MSA-1	AM/R-2 REP-2 OCI-8 NEA-4 ICA-10
	REC'D 5-25	INFO OTHER CIA-12 OSD-4 ARMY-4 NAVY-3 AIR-3

SUBJECT: Military Assistance Program Development

Reply drafted 6/12/57 TO AM/R: E/c LEF U/MSA

Joint Embassy/USOM Message

In compliance with the instructions enclosed with the referenced circular airgram (in particular Part I.C., last paragraph), the Embassy/USOM request guidance on the following points:

(1) It is assumed that the MAP will be concerned solely with the requirements of the Libyan Federal Government's military forces, not those of the paramilitary forces (police) of either the Federal Government or the Provincial Administrations. Consequently, it would appear that only the resources available to the Federal Government need be reflected as pertinent to the Government's capability to maintain military forces and only Federal Government expenditures on its military forces (army) need be shown as "defense expenditures". However, the Federal Government's resources position depends partly on the size of the allocations made from Federal income to the Provinces for Provincial budgetary support. Provincial income is insufficient to cover Provincial expenditures. Provincial income and expenditures therefore have a bearing on the availability of Federal income for Federal expenditures, since increased Provincial income could presumably result in decreases in Federal allocations. It is therefore the opinion of the Embassy/USOM that the governmental income and expenditure data used for MAP purposes (or, for that matter, any other purpose) should be a consolidation of Federal and Provincial budgetary data, particularly in view of the fact that most of the normal governmental sources of revenue are, in Libya, under the jurisdiction of the Provincial Administrations rather than the Federal Government. The Federal Government's domestic sources of revenue are limited to customs duties and the receipts from operation of postal and telecommunications facilities. The Provincial Administrations collect and expend all income and property taxes; profits of governmental monopolies and state trading; port, airfield, and railway receipts; licence fees; and other receipts from governmental services.

(2) There is also a problem of the inclusion or non-inclusion in the consolidated income data of development and technical assistance grants from other countries. Since these grants are largely earmarked for the specific purpose of advisory services on or execution of economic development projects,

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it might be argued that they could not be made available for defense expenditure purposes and therefore might be omitted from the income data. It might also be argued that if the grants were discontinued the result would be that the projects and services they now finance would also, perforce, be discontinued. However, it seems reasonable to believe that the Libyan Government could not afford to drop all of the projects and services now financed by foreign grants and that it would be forced to shift its expenditure pattern (i.e., allocate an increased percentage of its remaining income to some governmental departments while decreasing the percentage allocated to others). The Embassy/USOM believe that all foreign aid, economic and technical, should therefore be shown as governmental income, even though some of this aid does not appear in any formal Libyan budget.

(3) Format E of the MAP Guidance calls for calendar year data. The limitations of the Libyan governmental accounting services will preclude the possibility of obtaining fiscal data on any but a Libyan fiscal-year basis (April 1 through March 31). Furthermore, it will probably not be possible to obtain over-all actual revenue and expenditure data for the Provincial Administrations on any basis, nor for the Federal Government until a year or more after the end of any particular fiscal year. It may be possible for the MAAG to obtain actual revenue and expenditure data from a particular governmental department, such as the Ministry of Defense, in a shorter period of time, but the Embassy/USOM are not optimistic about the prospects of doing so. It is probable that budgetary estimates rather than actual data will have to be relied upon to a substantial extent.

For the Ambassador

Rodger P. Davies

Rodger P. Davies
Counselor of Embassy

cc: Benghazi
USOM/L, Tripoli

Cleared in draft:

O.J. Hoskin, USOM/L

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